

DAVIS COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

DAVIS COUNTY, IOWA

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DAVIS COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Bride	Board of Supervisors	January 2015
Dale Taylor	Board of Supervisors	January 2013
Matt Greiner	Board of Supervisors	January 2015
Linda Humphrey	County Auditor	January 2013
Rodger Simmons	County Treasurer	January 2015
Megan Clyman	County Recorder	January 2015
Dave Davis	County Sheriff	January 2013
Rick Lynch	County Attorney	January 2015
Lois Heckethorn	County Assessor	January 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Davis County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Davis County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Davis County, Iowa at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013 on our consideration of Davis County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the other information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the other information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County, Iowa's basic financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole .

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Davis County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- ◆ County revenue decreased 5.02%, or \$390,493 from fiscal year 2011 to 2012.
- ◆ County program expenses were 7.51%, or \$566,764 more in fiscal year 2012 than in 2011.
- ◆ The County's net assets decreased 5.40%, or \$724,287, during the year ended June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Davis County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Davis County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Davis County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the County's budget for the year and as well as presenting the Schedule Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Proprietary funds are used to account for the County's Internal Service Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Agricultural Extension Education, E911 and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities

	2012	2011 As Restated
Current and other assets	\$ 6,914,208	\$ 7,959,247
Capital assets	<u>9,642,165</u>	<u>8,814,449</u>
Total assets	<u>16,556,373</u>	<u>16,773,696</u>
Long-term debt outstanding	902,977	313,276
Other liabilities	<u>2,966,549</u>	<u>3,049,286</u>
Total liabilities	<u>3,869,526</u>	<u>3,362,562</u>
Net assets:		
Invested in capital assets, net of related debt	9,091,586	8,814,449
Restricted	2,729,173	3,598,851
Unrestricted	<u>866,088</u>	<u>997,834</u>
Total net assets	\$ <u>12,686,847</u>	\$ <u>13,411,134</u>

Net assets of the County's governmental activities decreased by 5.40% (\$12,686,847 compared to \$13,411,134). The largest portion of the County's net assets is the investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$997,834 at June 30, 2011 to \$866,088 at June 30, 2012, a decrease of 13.20%.

Changes in Net Assets of Governmental Activities

	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 398,394	\$ 414,467
Operating grants, contributions and restricted interest	3,101,255	3,383,127
Capital grants, contributions and restricted interest	575,482	321,722
General revenues:		
Property and other County tax	2,600,514	2,948,084
Local option sales and services tax	436,057	432,425
Unrestricted investment earnings	40,401	63,623
Other general revenues	<u>236,210</u>	<u>215,358</u>
Total revenues	<u>7,388,313</u>	<u>7,778,806</u>
Expenses:		
Public safety and legal services	997,472	1,080,835
Physical health and social services	312,477	224,468
Mental health	844,830	707,002
County environment and education	406,397	314,747
Roads and transportation	4,362,760	4,019,575
Governmental services to residents	272,286	318,503
Administration	898,257	868,794
Non-program	-	11,912
Interest on long-term debt	<u>18,121</u>	<u>-</u>
Total expenses	<u>8,112,600</u>	<u>7,545,836</u>
Changes in net assets	(724,287)	232,970
Net assets – Beginning of year, as restated	<u>13,411,134</u>	<u>13,178,164</u>
Net assets – End of year	\$ <u>12,686,847</u>	\$ <u>13,411,134</u>

The results of governmental activities for the year resulted in Davis County, Iowa's net assets decreasing by \$724,287. Revenues for governmental activities decreased by \$390,493 from the prior year, including decreases in operating grants, contributions and restricted interest and property taxes. Expenditures increased by \$566,764 including increases in mental health and roads and transportation expenses.

The cost of all governmental activities this year was \$8,112,600 compared to \$7,545,836 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,037,469 because some of the cost was paid by those directly benefited from the programs \$398,394 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,676,737.

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$3,602,525, which is a decrease of \$845,360 from last year's total of \$4,447,885.

- General Fund revenues decreased by and expenditures increased by 15.2% and 36.7%, respectively, when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$188,346 from \$1,896,959 to \$1,708,613.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$844,830, an increase of 19.5% from the prior year. The Mental Health Fund balance at year end decreased by \$160,055 from the prior year due to increased expenditures.
- Rural services expenditures increased \$31,239 from the previous year and its ending fund balance increased from the prior year by \$23,324 (\$42,494 in prior year) to \$680,915.
- Secondary Roads Fund revenues decreased \$528,043 from the prior year. As a result, there was a decrease in the Secondary Roads Fund ending balance of \$520,563, or 34.1%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Davis County, Iowa amended its budget four times. The first amendment was made on October 31, 2011, the second amendment was made on December 19, 2011, the third amendment was made on April 23, 2012 and the final amendment was made on May 21, 2012. These amendments resulted in increases in budgeted disbursements in certain County departments.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Davis County, Iowa had \$9,642,165 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$827,716 or 9.39% more than the prior year. The majority of this increase was due to more infrastructure and construction in progress additions compared to depreciation expense in the current year.

Capital Assets of Governmental Activities at Year End

	<u>2012</u>	<u>2011</u> <u>As Restated</u>
Land	\$ 1,040,791	\$ 1,040,791
Construction in progress	1,002,314	236,437
Buildings (net)	473,847	496,191
Machinery and equipment (net)	592,840	716,336
Infrastructure (net)	<u>6,532,373</u>	<u>6,324,694</u>
Totals	\$ <u>9,642,165</u>	\$ <u>8,814,449</u>
The year's major additions included:		
Construction in progress	\$ 765,877	\$ 85,161
Buildings	6,839	-
Machinery and equipment	96,794	42,741
Infrastructure	<u>383,501</u>	<u>225,475</u>
	\$ <u>1,253,011</u>	\$ <u>353,377</u>

The County had depreciation expense of \$425,295 for the year ended June 30, 2012 and total accumulated depreciation as of June 30, 2012 of \$5,195,150.

Long-term Debt

At June 30, 2012, the County had \$902,977 in debt compared to \$313,276 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	<u>2012</u>	<u>2011</u>
General obligation capital loan notes	\$ 550,579	\$ -
Compensated absences	303,404	281,276
Net OPEB liability	<u>48,994</u>	<u>32,000</u>
Totals	\$ <u>902,977</u>	\$ <u>313,276</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$13,028,360. Other obligations include accrued vacation pay and sick leave and net OPEB liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Davis County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of October 2012) now stands at 5.5% versus 6.4% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.5%.

Inflation in the State is slightly lower than the national Consumer Price Index increase. The State's CPI increase was 4.637% for the twelve month period ended October 2012 compared with the national increase of 4.896%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are decreasing by \$1,156,909 compared to the final fiscal year 2012 budget. Intergovernmental revenues are expected to make up the majority of this decrease. Budgeted disbursements are expected to decrease by \$2,111,565 compared to the final fiscal year 2012 budget. Decreases in capital projects and secondary roads expenditures represent the majority of the decrease. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$707,634 by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Davis County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Davis County Auditor's Office, 100 Courthouse Square, Bloomfield, Iowa.

BASIC FINANCIAL STATEMENTS

DAVIS COUNTY, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2012Governmental
ActivitiesASSETS:

Cash and pooled investments:	
Held by County	\$ 3,832,801
Held by component unit treasurer	5,303
Receivables:	
Property tax:	
Delinquent	9,498
Succeeding year	2,501,788
Accounts	83,815
Due from other governments	218,575
Inventories	137,151
Prepaid expenses	125,277
Capital assets (net of accumulated depreciation)	9,642,165
Total assets	<u>16,556,373</u>

LIABILITIES:

Accounts payable	313,512
Salaries and benefits payable	37,339
Due to other governments	113,910
Deferred revenue:	
Succeeding year property tax	2,501,788
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	50,923
Compensated absences	303,404
Portion due or payable after one year:	
General obligation bonds	499,656
Net OPEB liability	48,994
Total liabilities	<u>3,869,526</u>

NET ASSETS:

Invested in capital assets, net of related debt	9,091,586
Restricted for:	
Supplemental levy	835,261
Mental health	164,480
Rural services	680,915
Secondary roads	1,004,430
Other purposes	44,087
Unrestricted	866,088
Total net assets	\$ <u>12,686,847</u>

DAVIS COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services	\$ 997,472	\$ 5,900	\$ 4,651	\$ -	\$ (986,921)
Physical health and social services	312,477	-	78,862	-	(233,615)
Mental health	844,830	1,986	257,838	-	(585,006)
County environment and education	406,397	85,782	23,771	-	(296,844)
Roads and transportation	4,362,760	137,055	2,709,084	383,501	(1,133,120)
Governmental services to residents	272,286	165,493	17,049	-	(89,744)
Administration	898,257	2,178	10,000	191,981	(694,098)
Interest on longterm debt	18,121	-	-	-	(18,121)
Total	\$ 8,112,600	\$ 398,394	\$ 3,101,255	\$ 575,482	(4,037,469)
GENERAL REVENUES:					
Property and other County tax levied for:					
General purposes					2,529,897
Debt service					70,617
Local option tax					436,057
Penalty and interest on property tax					35,120
State tax credits					128,306
Unrestricted investment earnings					40,401
Miscellaneous					72,784
Total general revenues					3,313,182
CHANGE IN NET ASSETS					(724,287)
NET ASSETS - Beginning of year					13,411,134
NET ASSETS - End of year					\$ 12,686,847

DAVIS COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Cash and pooled investments:				
Held by County	\$ 1,649,060	\$ 348,977	\$ 646,273	\$ 758,338
Held by component unit treasurer	-	-	-	-
Receivables:				
Property tax:				
Delinquent	8,289	483	627	-
Succeeding year	1,336,228	423,462	668,731	-
Accounts	26,639	-	2	-
Due from other governments	4,736	253	41,838	171,748
Inventories	-	-	-	137,151
Prepaid expenses	66,405	1,009	-	57,863
TOTAL ASSETS	\$ 3,091,357	\$ 774,184	\$ 1,357,471	\$ 1,125,100
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 33,801	\$ 73,694	\$ 7,198	\$ 85,912
Salaries and benefits payable	2,431	150	-	34,758
Due to other governments	1,995	111,915	-	-
Deferred revenue:				
Succeeding year property tax	1,336,228	423,462	668,731	-
Other	8,289	483	627	-
Total liabilities	1,382,744	609,704	676,556	120,670
 <u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	-	137,151
Prepaid expenses	66,405	1,009	-	57,863
Restricted for:				
Supplemental levy	835,261	-	-	-
Cemetery levy	27,952	-	-	-
+ Mental health	-	163,471	-	-
Rural services	-	-	658,793	-
Drainage districts	-	-	22,122	-
Secondary roads	-	-	-	809,416
Conservation purposes	34,579	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Sheriff's reserve officers	2,039	-	-	-
Unassigned	742,377	-	-	-
Total fund balances	1,708,613	164,480	680,915	1,004,430
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,091,357	\$ 774,184	\$ 1,357,471	\$ 1,125,100

See Notes to Financial Statements

Nonmajor Governmental <u>Funds</u>	<u>Total</u>
\$ 38,280	\$ 3,440,928
5,303	5,303
99	9,498
73,367	2,501,788
504	27,145
	218,575
-	137,151
-	125,277
<u>\$ 117,553</u>	<u>\$ 6,465,665</u>
\$ -	\$ 200,605
-	37,339
-	113,910
73,367	2,501,788
99	9,498
<u>73,466</u>	<u>2,863,140</u>
-	137,151
-	125,277
-	835,261
-	27,952
-	163,471
-	658,793
-	22,122
-	809,416
-	34,579
44,087	44,087
-	2,039
-	742,377
<u>44,087</u>	<u>3,602,525</u>
<u>\$ 117,553</u>	<u>\$ 6,465,665</u>

DAVIS COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 3,602,525
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,837,315 and the accumulated depreciation is \$5,195,150.	9,642,165
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	335,636
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Because some revenues will not be collected for several months after year end they are deferred or not recorded in the governmental funds, as follows:

Property tax	9,498
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Long-term liabilities, including general obligation debt, compensated absences and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(902,977)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>12,686,847</u>
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DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 1,428,836	\$ 405,146	\$ 1,175,525
Interest and penalty on property tax	35,120	-	-
Intergovernmental	190,569	277,643	42,409
Licenses and permits	200	-	-
Charges for service	174,057	-	-
Use of money and property	118,781	-	34
Miscellaneous	73,407	1,986	982
Total revenues	<u>2,020,970</u>	<u>684,775</u>	<u>1,218,950</u>
<u>EXPENDITURES:</u>			
Current:			
Public safety and legal services	631,907	-	400,070
Physical health and social services	279,477	-	33,000
Mental health	-	844,830	-
County environment and education	207,208	-	188,452
Roads and transportation	-	-	-
Governmental services to residents	253,199	-	-
Administration	870,267	-	3,654
Debt service	-	-	-
Capital projects	567,258	-	-
Total expenditures	<u>2,809,316</u>	<u>844,830</u>	<u>625,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(788,346)</u>	<u>(160,055)</u>	<u>593,774</u>
Other financial sources (uses):			
Proceeds from long term debt	600,000	-	-
Transfers in	-	-	-
Transfers out	-	-	(570,450)
Total other financing sources (uses)	<u>600,000</u>	<u>-</u>	<u>(570,450)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(188,346)</u>	<u>(160,055)</u>	<u>23,324</u>
<u>FUND BALANCES</u> - Beginning of year	<u>1,896,959</u>	<u>324,535</u>	<u>657,591</u>
<u>FUND BALANCES</u> - End of year	<u>\$ 1,708,613</u>	<u>\$ 164,480</u>	<u>\$ 680,915</u>

See Notes to Financial Statements

<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 71,828	\$ 3,081,335
-	-	35,120
2,709,081	61,505	3,281,207
450	-	650
10	1,709	175,776
-	58	118,873
<u>136,598</u>	<u>710,726</u>	<u>923,699</u>
<u>2,846,139</u>	<u>845,826</u>	<u>7,616,660</u>
-	-	1,031,977
-	-	312,477
-	-	844,830
-	9,682	405,342
3,805,399	-	3,805,399
-	2,445	255,644
-	-	873,921
-	67,542	67,542
<u>131,753</u>	<u>765,877</u>	<u>1,464,888</u>
<u>3,937,152</u>	<u>845,546</u>	<u>9,062,020</u>
<u>(1,091,013)</u>	<u>280</u>	<u>(1,445,360)</u>
-	-	600,000
570,450	-	570,450
-	-	(570,450)
<u>570,450</u>	<u>-</u>	<u>600,000</u>
(520,563)	280	(845,360)
<u>1,524,993</u>	<u>43,807</u>	<u>4,447,885</u>
\$ <u>1,004,430</u>	\$ <u>44,087</u>	\$ <u>3,602,525</u>

DAVIS COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (845,360)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital expenditures exceeded depreciation expenses in the current year as follows:

Expenditures for capital assets	\$ 869,510	
Assets contributed by the Iowa Department of Transportation and others	383,501	
Depreciation expense	<u>(425,295)</u>	827,716

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred or not recorded in the governmental funds, as follows:

Property tax	(44,590)
--------------	----------

Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt proceeds and repayments are as follows:

Proceeds	(600,000)	
Repaid	<u>49,421</u>	(550,579)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(22,128)	
Net OPEB liability	<u>(16,994)</u>	(39,122)

The Internal Service Fund is used by management to charge the costs of employee health benefits to the individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(72,352)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(724,287)</u>
---	----	------------------

DAVIS COUNTY, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

		Internal Service - Employee <u>Group Health</u>
<u>ASSETS:</u>		
Current assets:		
Cash and cash equivalents	\$	391,873
Receivables:		
Accounts		<u>56,670</u>
	TOTAL ASSETS	<u>448,543</u>
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable		<u>112,907</u>
<u>NET ASSETS:</u>		
Unrestricted	\$	<u>335,636</u>

DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Internal Service -
 Employee
Group Health

OPERATING REVENUES:

Charges to operating funds	\$ 817,222
Insurance reimbursements	<u>59,520</u>
Total operating revenues	876,742

OPERATING EXPENSES:

Medical claims	778,332
Insurance premiums	144,139
Administration fees	28,960
Miscellaneous	<u>3,050</u>
Total operating expenses	954,481

Operating loss	(77,739)
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NON-OPERATING REVENUES:

Interest on investments	<u>5,387</u>
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	NET LOSS (72,352)
--	-------------------

NET ASSETS - Beginning of year	<u>407,988</u>
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NET ASSETS - End of year	\$ <u>335,636</u>
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DAVIS COUNTY, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2012

Internal Service -
 Employee
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from charges to other funds and employees	\$ 817,222
Cash received from insurance reimbursements	18,025
Cash payments to suppliers for services	<u>(946,891)</u>
NET CASH USED IN OPERATING ACTIVITIES	(111,644)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>5,387</u>
-------------------------	--------------

NET DECREASE IN CASH AND CASH EQUIVALENTS (106,257)

CASH AND CASH EQUIVALENTS - Beginning of year 498,130

CASH AND CASH EQUIVALENTS - End of year \$ 391,873

RECONCILIATION OF OPERATING LOSS TO NETCASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (77,739)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts receivable	(41,495)
Increase in accounts payable	<u>7,590</u>
Net cash used in operating activities	\$ <u>(111,644)</u>

DAVIS COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2012ASSETS

Cash and pooled investments:

County Treasurer	\$ 624,725
Other County officials	29,381

Receivables:

Accounts receivable	664
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Property tax receivable:

Delinquent	10,863
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Succeeding year	7,453,836
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Total assets	<u>8,119,469</u>
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LIABILITIES

Accounts payable	19,518
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Due to other governments	8,056,378
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Salaries and benefits payable	6,813
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Compensated absences	32,982
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Trusts payable	3,778
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Total liabilities	<u>8,119,469</u>
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NET ASSETS	\$ <u>-</u>
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DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Davis County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Davis County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is reported in the Special Revenue Rural Services Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

The Davis County Courthouse Preservation Fund is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Capital Projects Fund. This Fund has been incorporated under Chapter 504A of the Code of Iowa to receive grants and donations to be used to promote continued planning and implementation of projects consistent with historic preservation and restoration of the Davis County Courthouse and grounds.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Law Enforcement Communication's Board and Davis County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 150,000
Land, buildings and improvements	25,000
Intangibles	75,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	10-65
Buildings and improvements	5-40
Intangibles	5-20
Equipment	5-20
Vehicles	5

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ <u>570,450</u>	Rural Services	\$ <u>570,450</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,040,791	\$ -	\$ -	\$ 1,040,791
Construction in progress	<u>236,437</u>	<u>765,877</u>	<u>-</u>	<u>1,002,314</u>
Total capital assets not being depreciated/amortized	<u>1,277,228</u>	<u>765,877</u>	<u>-</u>	<u>2,043,105</u>
Capital assets being depreciated/ amortized:				
Buildings	947,333	6,839	-	954,172
Machinery and equipment	3,837,459	96,794	-	3,934,253
Infrastructure	<u>7,522,284</u>	<u>383,501</u>	<u>-</u>	<u>7,905,785</u>
Total capital assets being depreciated/amortized	<u>12,307,076</u>	<u>487,134</u>	<u>-</u>	<u>12,794,210</u>
Less accumulated depreciation/ amortization for:				
Buildings	451,142	29,183	-	480,325
Machinery and equipment	3,121,123	220,290	-	3,341,413
Infrastructure	<u>1,197,590</u>	<u>175,822</u>	<u>-</u>	<u>1,373,412</u>
Total accumulated depreciation/ amortization	<u>4,769,855</u>	<u>425,295</u>	<u>-</u>	<u>5,195,150</u>
Total capital assets being depreciated/amortized, net	<u>7,537,221</u>	<u>61,839</u>	<u>-</u>	<u>7,599,060</u>
Governmental activities capital assets, net	\$ <u>8,814,449</u>	\$ <u>827,716</u>	\$ <u>-</u>	\$ <u>9,642,165</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 41,440
County environment and education	10,879
Roads and transportation	357,119
Administration	<u>15,857</u>
Total depreciation/amortization expense – governmental activities	\$ <u>425,295</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 1,995
Special Revenue:		
Mental health	Services	111,915
Total for governmental funds		\$ 113,910
Agency:		
Schools	Collections	\$ 4,486,303
Corporations		1,296,726
Area schools		233,136
Auto license and use tax		148,935
County assessor		268,784
Townships		213,192
Agricultural extension education		89,035
County watershed		95,395
E911		55,894
Law enforcement communications		58,795
County hospital		1,083,289
All other		26,894
Total for agency funds		\$ 8,056,378

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>General Obligation Capital Debt</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year,	\$ -	\$ 281,276	\$ 32,000	\$ 313,276
Increases	600,000	303,404	16,994	920,398
Decreases	<u>49,421</u>	<u>281,276</u>	<u>-</u>	<u>330,697</u>
Balance end of year	\$ <u>550,579</u>	\$ <u>303,404</u>	\$ <u>48,994</u>	\$ <u>902,977</u>
Due within one year	\$ <u>50,923</u>	\$ <u>303,404</u>	\$ <u>-</u>	\$ <u>354,327</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2012 general obligation indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Southern Iowa Electric Cooperative Inc. Note Issued September 9, 2011</u>			<u>General Obligation Capital Loan Note Issued August 23, 2011</u>			<u>Total</u>	
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	2.00%	\$ 9,220	\$ 1,863	4.50%	\$ 41,703	\$ 20,297	\$ 50,923	\$ 22,160
2014	2.00	9,405	1,678	4.50	43,628	18,372	53,033	20,050
2015	2.00	9,594	1,488	4.50	45,641	16,359	55,235	17,847
2016	2.00	9,787	1,296	4.50	47,710	14,290	57,497	15,586
2017	2.00	9,984	1,099	4.50	49,949	12,051	59,933	13,150
2018	2.00	10,184	899	4.50	52,254	9,746	62,438	10,645
2019	2.00	10,389	694	4.50	54,665	7,335	65,054	8,029
2020	2.00	10,598	485	4.50	57,176	4,824	67,774	5,309
2021	2.00	10,811	272	4.50	62,395	2,174	73,206	2,446
2022	2.00	<u>5,486</u>	<u>55</u>	4.50	<u>-</u>	<u>-</u>	<u>5,486</u>	<u>55</u>
		\$ <u>95,458</u>	\$ <u>9,829</u>		\$ <u>455,121</u>	\$ <u>105,448</u>	\$ <u>550,579</u>	\$ <u>115,277</u>

During the year ended June 30, 2012, the County issued \$600,000 of general obligation debt and retired \$49,421 of debt.

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$178,252, \$154,219 and \$140,441, respectively, equal to the required contributions for each year.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8: RISK MANAGEMENT

Davis County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$111,981.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8: RISK MANAGEMENT (Continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss coverage for the excess of \$25,000 in insured claims for any one covered individual and \$25,000 aggregating specific deductible for claims over the individual specific deductible. The County assumes liability for claims up to the individual stop loss limitation of \$25,000 and the aggregating stop loss limitation of \$25,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$817,222.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$112,907 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$335,636 at June 30, 2012 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 105,317
Incurring claims (including claims incurred but not reported at June 30, 2012):	
Current-year events	778,332
Payments:	
Current and prior year events	<u>770,742</u>
Unpaid claims end of year	\$ <u>112,907</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 53 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 20,426
Interest on net OPEB obligation	1,280
Adjustment to annual required contribution	<u>(698)</u>
Annual OPEB cost	21,008
Contributions made	<u>(4,014)</u>
Increase in net OPEB cost	16,994
Net OPEB obligation beginning of year	<u>32,000</u>
Net OPEB obligation end of year	\$ <u>48,994</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$4,014 to the medical plan.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ <u>20,000</u>	20.00%	\$ <u>16,000</u>
2011	\$ <u>20,000</u>	20.00%	\$ <u>32,000</u>
2012	\$ <u>21,008</u>	19.11%	\$ <u>48,994</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$164,338 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$164,338. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,024,088 and the ratio of the UAAL to covered payroll was 8.12%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Other Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using scale AA. Projected claim costs of the medical plan are \$883 per month for retirees age 55 to 59 and \$1,079 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 11: COUNTY CARE FACILITY

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc., monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc. pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12: RESTATEMENTS

During the year ended June 30, 2012, the County switched the software it uses to maintain its capital assets. During the conversion, they were unable to reconcile to the June 30, 2011 ending balance. As a result the June 30, 2011 ending balance has been restated to the conversion amount.

Government-wide financial statements

	<u>Governmental Activities</u>
As previously reported at June 30, 2011	\$ 13,509,990
Adjustments	<u>(98,856)</u>
As restated at June 30, 2011	\$ <u>13,411,134</u>

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2011 have been reclassified to conform to June 30, 2012 presentation.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 26, 2013, the date the financial statements were available to be issued.

OTHER INFORMATION

DAVIS COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Fund Types	Less Funds Not Required To Be		Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Budgeted	Net	Original	Final	
RECEIPTS:						
Property and other County tax	\$ 3,105,137	\$ -	\$ 3,105,137	\$ 3,022,692	\$ 3,022,692	\$ 82,445
Interest and penalty on property tax	36,170	-	36,170	36,845	36,845	(675)
Intergovernmental	3,306,961	48,513	3,258,448	2,536,009	3,588,492	(330,044)
Licenses and permits	725	-	725	974	974	(249)
Charges for service	173,779	-	173,779	175,495	185,776	(11,997)
Use of money and property	124,901	-	124,901	127,754	141,634	(16,733)
Miscellaneous	923,242	710,726	212,516	429,005	549,674	(337,158)
Total receipts	<u>7,670,915</u>	<u>759,239</u>	<u>6,911,676</u>	<u>6,328,774</u>	<u>7,526,087</u>	<u>(614,411)</u>
DISBURSEMENTS:						
Public safety and legal services	1,021,633	-	1,021,633	1,038,359	1,143,597	121,964
Physical health and social services	313,094	-	313,094	330,497	420,671	107,477
Mental health	765,715	-	765,715	667,738	831,738	66,023
County environment and education	338,908	-	338,908	328,831	353,531	14,623
Roads and transportation	3,779,086	-	3,779,086	2,908,914	4,189,923	410,837
Governmental services to residents	321,668	-	321,668	357,100	357,100	35,432
Administration	868,558	-	868,558	896,507	977,507	108,949
Non-program	3,532	-	3,532	20,000	20,000	16,468
Debt Service	67,542	-	67,542	75,410	75,410	7,868
Capital projects	1,461,355	765,877	695,478	300,000	819,000	123,522
Total disbursements	<u>8,941,091</u>	<u>765,877</u>	<u>8,175,214</u>	<u>6,923,356</u>	<u>9,188,377</u>	<u>1,013,163</u>
Excess (deficiency) of receipts over (under) disbursements	(1,270,176)	(6,638)	(1,263,538)	(594,582)	(1,662,290)	398,752
Other financing sources, net	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>611,500</u>	<u>611,500</u>	<u>(11,500)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(670,176)	(6,638)	(663,538)	16,918	(1,050,790)	387,252
BALANCE - Beginning of year	<u>4,094,362</u>	<u>11,941</u>	<u>4,082,421</u>	<u>3,058,291</u>	<u>3,058,291</u>	<u>1,024,130</u>
BALANCE - End of year	\$ <u>3,424,186</u>	\$ <u>5,303</u>	\$ <u>3,418,883</u>	\$ <u>3,075,209</u>	\$ <u>2,007,501</u>	\$ <u>1,411,382</u>

DAVIS COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION
OTHER INFORMATION
YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 7,670,915	\$ (54,255)	\$ 7,616,660
Expenditures	<u>8,941,091</u>	<u>120,929</u>	<u>9,062,020</u>
Net	(1,270,176)	(175,184)	(1,445,360)
Other financing sources (uses)	600,000	-	600,000
Beginning fund balance	<u>4,094,362</u>	<u>353,523</u>	<u>4,447,885</u>
Ending fund balance	\$ <u>3,424,186</u>	\$ <u>178,339</u>	\$ <u>3,602,525</u>

DAVIS COUNTY, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$2,265,021. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

DAVIS COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

OTHER INFORMATION

<u>Fiscal</u> <u>Year</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ <u>-</u>	\$ <u>164,000</u>	\$ <u>164,000</u>	0.00%	\$ <u>1,702,000</u>	9.60%
2011	July 1, 2009	\$ <u>-</u>	\$ <u>164,000</u>	\$ <u>164,000</u>	0.00%	\$ <u>1,760,000</u>	9.30%
2012	July 1, 2009	\$ <u>-</u>	\$ <u>164,338</u>	\$ <u>164,338</u>	0.00%	\$ <u>2,024,088</u>	8.12%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

DAVIS COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue</u>		
	<u>County Recorder's Records Management</u>	<u>REAP</u>	<u>Sheriff Forfeiture</u>
<u>ASSETS</u>			
Cash and pooled investments:			
Held by County	\$ 4,692	\$ 22,058	\$ 3,787
Held by component unit treasurer	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	<u>499</u>	<u>5</u>	<u>-</u>
TOTAL ASSETS	\$ <u>5,191</u>	\$ <u>22,063</u>	\$ <u>3,787</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Deferred revenue:			
Succeeding year property tax	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>5,191</u>	<u>22,063</u>	<u>3,787</u>
Total fund balances	<u>5,191</u>	<u>22,063</u>	<u>3,787</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>5,191</u>	\$ <u>22,063</u>	\$ <u>3,787</u>

<u>Debt Service</u>	<u>Capital Projects Davis County Courthouse Preservation</u>	<u>Total</u>
\$ 7,743	\$ -	\$ 38,280
-	5,303	5,303
99	-	99
73,367	-	73,367
-	-	504
<u>\$ 81,209</u>	<u>\$ 5,303</u>	<u>\$ 117,553</u>
\$ 73,367	\$ -	\$ 73,367
99	-	99
<u>73,466</u>	<u>-</u>	<u>73,466</u>
7,743	5,303	44,087
<u>7,743</u>	<u>5,303</u>	<u>44,087</u>
<u>\$ 81,209</u>	<u>\$ 5,303</u>	<u>\$ 117,553</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>			
	<u>County Recorder's Records Management</u>	<u>REAP</u>	<u>Sheriff Forfeiture</u>	<u>Debt Service</u>
<u>REVENUES:</u>				
Property and other County tax	\$ -	\$ -	\$ -	\$ 71,828
Intergovernmental	-	9,535	-	3,457
Charges for service	1,709	-	-	-
Use of money and property	7	51	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,716</u>	<u>9,586</u>	<u>-</u>	<u>75,285</u>
<u>EXPENDITURES:</u>				
Operating:				
County environment and education	-	9,682	-	-
Governmental services to residents	2,445	-	-	-
Debt service	-	-	-	67,542
Capital projects	-	-	-	-
Total expenditures	<u>2,445</u>	<u>9,682</u>	<u>-</u>	<u>67,542</u>
Excess (deficiency) of revenues over (under) expenditures	(729)	(96)	-	7,743
<u>FUND BALANCES</u> - Beginning of year	<u>5,920</u>	<u>22,159</u>	<u>3,787</u>	<u>-</u>
<u>FUND BALANCES</u> - End of year	\$ <u>5,191</u>	\$ <u>22,063</u>	\$ <u>3,787</u>	\$ <u>7,743</u>

Capital Projects Davis County Courthouse Preservation		Total
\$	-	\$ 71,828
	48,513	61,505
	-	1,709
	-	58
	710,726	710,726
	<u>759,239</u>	<u>845,826</u>
	-	9,682
	-	2,445
	-	67,542
	765,877	765,877
	<u>765,877</u>	<u>845,546</u>
	(6,638)	280
	<u>11,941</u>	<u>43,807</u>
\$	<u>5,303</u>	\$ <u>44,087</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ -	\$ -
Other County officials	25,603	3,778
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	-
Succeeding year	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>25,603</u>	\$ <u>3,778</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	25,603	-
Salaries and benefits payable	-	-
Compensated absences	-	-
Trusts payable	-	3,778
	<u>-</u>	<u>3,778</u>
TOTAL LIABILITIES	\$ <u>25,603</u>	\$ <u>3,778</u>

<u>E911</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ 64,895	\$ 15	\$ 34,512	\$ 3,025	\$ 70,829	\$ 4,302
-	-	-	-	-	-
499	-	-	-	-	-
-	1	4,730	128	4,361	265
-	957	1,257,484	210,039	4,411,113	228,569
<u>\$ 65,394</u>	<u>\$ 973</u>	<u>\$ 1,296,726</u>	<u>\$ 213,192</u>	<u>\$ 4,486,303</u>	<u>\$ 233,136</u>
\$ 9,500	\$ -	\$ -	\$ -	\$ -	\$ -
55,894	973	1,296,726	213,192	4,486,303	233,136
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 65,394</u>	<u>\$ 973</u>	<u>\$ 1,296,726</u>	<u>\$ 213,192</u>	<u>\$ 4,486,303</u>	<u>\$ 233,136</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>Law Enforcement Communications</u>	<u>County Assessor</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ 96,550	\$ 87,022
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	201
Succeeding year	-	193,619
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>96,550</u>	\$ <u>280,842</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 465	\$ 9,553
Due to other governments	58,795	268,784
Salaries and benefits payable	6,813	-
Compensated absences	30,477	2,505
Trusts payable	-	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>96,550</u>	\$ <u>280,842</u>

Schedule 3
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>County Hospital</u>	<u>County Watershed</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 1,445	\$ 148,935	\$ 17,647	\$ 95,395	\$ 153	\$ 624,725
-	-	-	-	-	29,381
-	-	-	-	165	664
89	-	1,088	-	-	10,863
<u>87,501</u>	<u>-</u>	<u>1,064,554</u>	<u>-</u>	<u>-</u>	<u>7,453,836</u>
\$ <u>89,035</u>	\$ <u>148,935</u>	\$ <u>1,083,289</u>	\$ <u>95,395</u>	\$ <u>318</u>	\$ <u>8,119,469</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,518
89,035	148,935	1,083,289	95,395	318	8,056,378
-	-	-	-	-	6,813
-	-	-	-	-	32,982
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,778</u>
\$ <u>89,035</u>	\$ <u>148,935</u>	\$ <u>1,083,289</u>	\$ <u>95,395</u>	\$ <u>318</u>	\$ <u>8,119,469</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>13,628</u>	\$ <u>8,919</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	161,710	-
Auto licenses, use tax and postage	-	-
Trusts	-	101,476
Miscellaneous	-	-
Total additions	<u>161,710</u>	<u>101,476</u>
Deductions:		
Agency remittances:		
To other funds	65,219	-
To other governments	84,516	-
Trusts paid out	-	106,617
Total deductions	<u>149,735</u>	<u>106,617</u>
Balances end of year	\$ <u>25,603</u>	\$ <u>3,778</u>

<u>County Auditor</u>	<u>E911</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ <u>1,288</u>	\$ <u>87,795</u>	\$ <u>1,019</u>	\$ <u>1,220,919</u>	\$ <u>177,411</u>	\$ <u>3,681,212</u>	\$ <u>228,119</u>
-	-	754	1,210,388	209,655	4,465,916	228,344
-	51,198	-	-	-	-	-
-	-	39	50,127	8,326	179,132	10,893
-	-	-	-	-	-	-
265	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	249	-	10,026	-	-	-
<u>265</u>	<u>51,447</u>	<u>793</u>	<u>1,270,541</u>	<u>217,981</u>	<u>4,645,048</u>	<u>239,237</u>
1,553	-	-	-	-	-	-
-	73,848	839	1,194,734	182,200	3,839,957	234,220
-	-	-	-	-	-	-
<u>1,553</u>	<u>73,848</u>	<u>839</u>	<u>1,194,734</u>	<u>182,200</u>	<u>3,839,957</u>	<u>234,220</u>
\$ <u>-</u>	\$ <u>65,394</u>	\$ <u>973</u>	\$ <u>1,296,726</u>	\$ <u>213,192</u>	\$ <u>4,486,303</u>	\$ <u>233,136</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Law Enforcement Communications</u>	<u>County Assessor</u>	<u>Agricultural Extension Education</u>
Balances beginning of year	\$ <u>121,969</u>	\$ <u>299,331</u>	\$ <u>76,655</u>
Additions:			
Property and other County tax	-	193,776	87,321
E911 surcharge	-	-	-
State tax credits	-	8,265	3,661
Reimbursements	437,248	-	-
Office fees and collections	-	344	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	4	-
Total additions	<u>437,248</u>	<u>202,389</u>	<u>90,982</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	462,667	220,878	78,602
Trusts paid out	-	-	-
Total deductions	<u>462,667</u>	<u>220,878</u>	<u>78,602</u>
Balances end of year	\$ <u><u>96,550</u></u>	\$ <u><u>280,842</u></u>	\$ <u><u>89,035</u></u>

<u>Auto License and Use Tax</u>	<u>County Hospital</u>	<u>County Watershed</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ <u>164,541</u>	\$ <u>930,477</u>	\$ <u>91,507</u>	\$ <u>796</u>	\$ <u>-</u>	\$ <u>7,105,586</u>
-	1,064,400	-	-	-	7,460,554
-	-	-	-	-	51,198
-	44,917	-	-	-	305,360
-	-	-	-	-	437,248
-	-	-	1,709	-	164,028
2,034,269	-	-	-	-	2,034,269
-	-	-	-	-	101,476
-	-	17,500	-	161,126	188,905
<u>2,034,269</u>	<u>1,109,317</u>	<u>17,500</u>	<u>1,709</u>	<u>161,126</u>	<u>10,743,038</u>
77,504	-	-	-	-	144,276
1,972,371	956,505	13,612	2,187	-	9,317,136
-	-	-	-	161,126	267,743
<u>2,049,875</u>	<u>956,505</u>	<u>13,612</u>	<u>2,187</u>	<u>161,126</u>	<u>9,729,155</u>
\$ <u>148,935</u>	\$ <u>1,083,289</u>	\$ <u>95,395</u>	\$ <u>318</u>	\$ <u>-</u>	\$ <u>8,119,469</u>

DAVIS COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 3,081,335	\$ 3,380,691	\$ 3,200,731
Interest and penalty on property tax	35,120	40,269	36,845
Intergovernmental	3,281,207	3,815,654	3,186,596
Licenses and permits	650	530	679
Charges for service	175,776	178,010	161,984
Use of money and property	118,873	144,488	135,639
Miscellaneous	<u>923,699</u>	<u>256,515</u>	<u>367,314</u>
Total	\$ <u>7,616,660</u>	\$ <u>7,816,157</u>	\$ <u>7,089,788</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 1,031,977	\$ 1,024,181	\$ 946,948
Physical health and social services	312,477	223,789	208,488
Mental health	844,830	707,002	618,031
County environment and education	405,342	305,829	317,435
Roads and transportation	3,805,399	3,790,030	2,831,669
Governmental services to residents	255,644	315,808	319,976
Administration	873,921	784,241	953,235
Non-program	-	11,912	20,298
Debt service	67,542	-	-
Capital projects	<u>1,464,888</u>	<u>325,132</u>	<u>149,570</u>
Total	\$ <u>9,062,020</u>	\$ <u>7,487,924</u>	\$ <u>6,365,650</u>

Modified Accrual Basis			
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 3,300,824	\$ 2,921,282	\$ 2,853,978	\$ 2,876,582
35,634	37,182	38,710	40,268
3,141,865	3,312,765	3,226,257	2,689,951
921	1,243	1,126	728
155,828	180,056	163,077	166,870
149,307	196,634	200,394	176,484
<u>507,350</u>	<u>262,982</u>	<u>176,031</u>	<u>173,177</u>
 \$ <u>7,291,729</u>	 \$ <u>6,912,144</u>	 \$ <u>6,659,573</u>	 \$ <u>6,124,060</u>
 \$ 970,405	 \$ 872,141	 \$ 800,020	 \$ 818,696
211,995	217,318	230,039	233,142
858,367	843,374	833,763	710,395
342,367	262,911	325,302	289,375
3,215,153	2,909,254	2,834,286	3,040,511
316,655	293,255	284,501	403,692
846,335	837,023	671,666	710,708
23,690	10,519	50,835	25,310
-	-	-	-
<u>-</u>	<u>34,269</u>	<u>392,940</u>	<u>244,577</u>
 \$ <u>6,784,967</u>	 \$ <u>6,280,064</u>	 \$ <u>6,423,352</u>	 \$ <u>6,476,406</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Davis County, Iowa:

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Davis County, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Davis County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Davis County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 12-II-B to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item 12-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Davis County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County, Iowa and other parties to whom Davis County, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 26, 2013

DAVIS COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

12-II-A Segregation of Duties – During our review of the internal control structure, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating control exists:

	<u>Applicable Offices</u>
1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff Treasurer
2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension Recorder, Sheriff Treasurer
3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing the checks or warrants, the supporting documentation should be reviewed for propriety. After signing the checks or warrants, they should be mailed without allowing them to return to individuals who prepared the checks or warrants or approved vouchers for payment.	Recorder, Sheriff Treasurer

DAVIS COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements (Continued)

INTERNAL CONTROL DEFICIENCIES(Continued)

Segregation of Duties(Continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such review should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of review.

Responses -

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

- 12-II-B Financial Reporting –When the County began using new software to track capital assets during the year ended June 30, 2012, the June 30, 2011 ending balances could not be reconciled. The effects of these items are shown in Note 11 of the current year financial statements.

Recommendation – The County should maintain an updated listing of capital assets that reconciles to the audited financial statements.

Response – We will do so in the future.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

- 12-III-A Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

- 12-III-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979.

- 12-III-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 12-III-D Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Pam Martin, Deputy Auditor, Spouse is Owner of Martin Oil	Oil and fuel	\$30,724

The above transaction does not represent a conflict of interest due to the limited number of suppliers and regular rotation of such suppliers.

DAVIS COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part III: Other Findings Related to Required Statutory Reporting(Continued)

- 12-III-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- 12-III-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-III-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 12-III-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 12-III-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.